

AUDITED FINANCIAL STATEMENTS
TOWNSHIP OF LAKETON, MICHIGAN
March 31, 2008

Auditing Procedures Report

Issued under Public Act 2 of 1968, as amended.

Unit Name Laketon	County Muskegon	Type Township	MuniCode 61-1-090
Opinion Date July 30, 2008	Audit Submitted August 8, 2008	Fiscal Year March 31, 2008	

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

<input checked="" type="checkbox"/> 1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> 2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/> 3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> 4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> 5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> 6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> 7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> 8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> 9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> 10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/> 11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/> 12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> 13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> 15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> 16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> 17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input type="checkbox"/> 18. Are there reported deficiencies? <input type="checkbox"/> 19. If so, was it attached to the audit report?

General Fund Revenue:	1,325,606
General Fund Expenditure:	1,338,235
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	915,360
Governmental Activities Long-Term Debt (see instructions):	-0-

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

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C O N T E N T S

	Page
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT	3-4
MANAGEMENT'S DISCUSSION AND ANALYSIS	5-8
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Assets	9
Statement of Activities	10
Fund Financial Statements	
Governmental Funds	
Balance Sheet	11
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	12
Statement of Revenue, Expenditures and Changes in Fund Balance	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Proprietary Funds	
Statement of Net Assets	15
Statement of Revenue, Expenses and Changes in Fund Net Assets	16
Statement of Cash Flows	17
Fiduciary Funds	
Statement of Net Assets	18
Notes to Financial Statements	19-31
REQUIRED SUPPLEMENTAL INFORMATION	
Budgetary Comparison Schedule-General Fund	33-36
Budgetary Comparison Schedule-Building Department Fund	37
OTHER SUPPLEMENTAL INFORMATION	
Schedule of Indebtedness	39

CALVIN D. MEEUSEN, C.P.A., PLLC

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CERTIFIED PUBLIC ACCOUNTANT**

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

To the Township Board
Township of Laketon, Michigan

I have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Township of Laketon, Michigan as of and for the year ended March 31, 2008, which, collectively, comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, and each major fund of the Township as of March 31, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis (identified in the table of contents) is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, I did not audit the information and express no opinion on it.

The accompanying required supplemental information, as identified in the table of contents, are not required parts of the basic financial statements. The required supplemental information is information required by the Governmental Accounting Standards Board. My audit was conducted

for the purpose of forming opinions on the financial statements that collectively comprise the Township of Laketon basic financial statements. The required supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Calvin D. Meeusen C.P.A. PLLC

Calvin D. Meeusen, C.P.A., PLLC
Grand Haven, Michigan
July 30, 2008

Township of Laketon, Michigan
Management's Discussion and Analysis
March 31, 2008

Using this Management's Discussion and Analysis

This annual report is intended to supplement the Township's financial statements for fiscal year ending March 31, 2008. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements (i.e. the Statement of Governmental Fund Revenue, Expenditures and changes in Fund Balance and the Governmental Fund Balance Sheet) tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

The Township's total net assets are \$8,686,341 as of March 31, 2008. Unrestricted net assets, which represents net assets that can be used to finance day to day operations, comprise 50.9% of that total. The current level of unrestricted net assets for our governmental activities stands at \$931,298 or about 65% of current year operating expenditures.

Government-Wide Financial Analysis:

The first table presented is a summary of the government-wide statement of net assets for the Township. The net assets may be used as an indicator of a government's financial health. As of March 31, 2008, the Township's net assets from governmental activities totaled \$2,212,492 (25%) and \$6,473,849 (75%) from business-type activities, creating a total government-wide net asset total of \$8,686,341.

In examining the composition of these net assets, the reader should note that governmental activities net assets are primarily invested in capital assets (i.e., buildings, land, vehicles, equipment, etc.) These assets are used to provide services to the residents and they are not available to pay salaries, operational expenses, or fund capital projects.

Table 1
Township of Laketon Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<u>Assets</u>						
Current and						
other assets	\$ 933,341	\$ 970,815	\$3,505,190	\$3,675,804	\$4,438,531	\$4,646,619
Capital assets,						
net of						
accumulated						
depreciation	<u>1,281,194</u>	<u>1,325,995</u>	<u>3,170,806</u>	<u>2,956,264</u>	<u>4,452,000</u>	<u>4,282,259</u>
Total	2,214,535	2,296,810	6,675,996	6,632,068	8,890,531	8,928,878

Township of Laketon, Michigan
Management's Discussion and Analysis
March 31, 2008

Table 1- Township of Laketon Net Assets-continued

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
<u>Liabilities</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Current	\$ 2,043	\$ 19,154	\$ 49,147	\$ 48,275	\$ 51,190	\$ 67,429
Noncurrent	-	-	153,000	183,570	153,000	183,570
Total	2,043	19,154	202,147	231,845	204,190	250,999
 <u>Net Assets</u>						
Capital Assets,						
Net of Debt	1,281,194	1,325,995	2,987,236	2,743,325	4,268,430	4,069,320
Unrestricted	931,298	951,661	3,486,613	3,656,898	4,417,911	4,608,559
Total net assets	\$2,212,492	\$2,277,656	\$6,473,849	\$6,400,223	\$8,686,341	\$8,677,879

The Township's net assets continue to remain healthy. The Township has enough unrestricted cash on hand at the end of the year to fund normal operating expenses in similar circumstances for over 12 months.

Governmental Activities

Governmental activities decreased the Township's net assets by \$65,164, accounting for none of the total growth in net assets. Table 2 depicts this occurrence which will be discussed in more detail later in this analysis.

The Township's total revenues in the General Fund increased by approximately 2.9%, primarily due to an increase in property taxes.

As reflected in Table 2 revenues for the General Fund are higher due to an increase in Property Taxes, increased state grants and other revenues.

Business-Type Activities

The Township's business-type activities consist of the sewer and water funds. Revenues for business-type activities were \$299,109, a decrease of 5.2%. We provide sewage treatment to approximately 30% of township residents through the Muskegon County wastewater treatment plant. We provide water to approximately 15% of township residents which comes from the Muskegon County water system.

The decrease in revenues for business-type activities is the result of economic conditions and a reduction in connection fees.

At the end of the fiscal year, the net assets for business-type activities increased by \$73,626.

Township of Laketon, Michigan
Management's Discussion and Analysis
March 31, 2008

Business-Type Activities-Continued

Table 2
Township of Laketon, Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<u>Revenues</u>						
Program						
Charges for Services	\$ 183,565	\$ 209,282	\$ 299,109	\$ 315,508	\$ 482,674	\$ 524,790
General						
Property taxes	622,683	575,762	-	-	622,683	575,762
State grants	503,448	500,895	-	-	503,448	500,895
Investment earnings	26,380	35,716	137,753	143,185	164,133	178,901
Other	<u>76,381</u>	<u>73,031</u>	<u>-</u>	<u>-</u>	<u>76,381</u>	<u>73,031</u>
Total	<u>1,412,457</u>	<u>1,394,686</u>	<u>436,862</u>	<u>458,693</u>	<u>1,849,319</u>	<u>1,853,379</u>
<u>Expenses</u>						
Legislative	8,952	8,688	-	-	8,952	8,688
General government	828,329	741,269	-	-	828,329	741,269
Public safety	376,081	368,848	-	-	376,081	368,848
Public works	184,698	204,998	-	-	184,698	204,998
Other	79,561	92,304	-	-	79,561	92,304
Sewer fund	-	-	318,710	337,403	318,710	337,403
Water fund	<u>-</u>	<u>-</u>	<u>44,526</u>	<u>48,737</u>	<u>44,526</u>	<u>48,737</u>
Total	<u>1,477,621</u>	<u>1,416,107</u>	<u>363,236</u>	<u>386,140</u>	<u>1,840,857</u>	<u>1,802,247</u>
Excess of Revenues Over (Under)						
Expenses Before Transfers	(65,164)	(21,421)	73,626	72,553	8,462	51,132
Transfers	<u>-</u>	<u>460,000</u>	<u>-</u>	<u>(460,000)</u>	<u>-</u>	<u>-</u>
Increase (Decrease)						
in Net Assets	(65,164)	438,579	73,626	(387,447)	8,462	51,132
Net Assets -						
Beginning of Year	<u>2,277,656</u>	<u>1,839,077</u>	<u>6,400,223</u>	<u>6,787,670</u>	<u>8,677,879</u>	<u>8,626,747</u>
Net Assets -						
End of Year	<u>\$2,212,492</u>	<u>\$2,277,656</u>	<u>\$6,473,849</u>	<u>\$6,400,223</u>	<u>\$8,686,341</u>	<u>\$8,677,879</u>

The Township's Funds

An analysis of the Township's major funds begins on page 11 following the entity wide financial statements. The fund financial statements provide detailed information about the significant funds,

Township of Laketon, Michigan
Management's Discussion and Analysis
March 31, 2008

The Township's Funds-Continued

not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities. The Township's major funds include the General Fund, Building Department Fund, Sewage Disposal System Fund and the Water Supply System Fund.

The General Fund pays the Township's general operating expenditures, the most significant of which are General Government and Public Safety.

General Fund Budgetary Highlights

As in past years, the Township Board monitors the budget on a monthly basis. Township expenditures overall were over budget, resulting in total expenditures of \$1,338,235, which was \$13,074 over budget. The General Fund's fund balance decreased from \$927,989 a year ago to \$915,360 at March 31, 2008.

Capital Asset and Debt Administration

At March 31, 2008 the Township had \$4,452,000 (net of accumulated depreciation of \$5,350,738) invested in a broad range of capital assets including land, land improvements, sewer system, water system, buildings and machinery and equipment. We continue to make payments on the sewer bonds that were issued for wastewater collection and treatment system improvements in accordance with the Schedule of Indebtedness. All of the payments were paid on time.

Economic Factors and Next Year's Budgets and Rates

The Township's budget for the next fiscal year projects property taxes to increase by approximately 3% due to increases in property values and newly assessed residential properties from housing developments. State revenue sharing allocations are a budgetary concern at this time. The State of Michigan has experienced significant budgeting problems and as they look for solutions, state shared revenues may decrease. The amount of revenue sharing is uncertain at this time but is expected to approximate last year's amount. Salaries are a large expenditure of the funds and represented approximately 29% of this year's total budget.

We continue to budget responsibly and closely watch the state's position on revenue sharing. We anticipate an increase in revenues for the public utilities due to a new expansion of the water and sewer system.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and other interested parties with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact us at (231) 744-2454.

Township of Laketon, Michigan

STATEMENT OF NET ASSETS

March 31, 2008

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash	\$ 748,717	\$1,685,783	\$2,434,500
Investments (approximate market value \$1,729,794)	-	1,682,026	1,682,026
Receivables			
Taxes	46,691	-	46,691
Accounts	-	97,473	97,473
Assessments	15,035	27,490	42,525
Investment interest	-	358	358
Due from fiduciary fund	2,622	-	2,622
Due from other governmental units	115,911	-	115,911
Internal balances (net)	(12,060)	12,060	-
Prepaid expenses	16,425	-	16,425
Capital assets, net	<u>1,281,194</u>	<u>3,170,806</u>	<u>4,452,000</u>
Total assets	<u>2,214,535</u>	<u>6,675,996</u>	<u>8,890,531</u>
LIABILITIES			
Accounts payable	-	18,252	18,252
Accrued liabilities	2,043	325	2,368
Non-current liabilities			
Bonds due within one year	-	30,570	30,570
Bonds due in more than one year	<u>-</u>	<u>153,000</u>	<u>153,000</u>
Total liabilities	<u>2,043</u>	<u>202,147</u>	<u>204,190</u>
NET ASSETS			
Invested in capital assets net of related debt	1,281,194	2,987,236	4,268,430
Unrestricted	<u>931,298</u>	<u>3,486,613</u>	<u>4,417,911</u>
Total Net Assets	<u>\$2,214,492</u>	<u>\$6,473,849</u>	<u>\$8,686,341</u>

The Notes to Financial Statements are an integral part of this statement.

Township of Laketon, Michigan

STATEMENT OF ACTIVITIES

Year ended March 31, 2008

	Program Revenue		Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for services	Governmental activities	Primary Government Business-type activities	Total
Primary Government					
Governmental activities					
Legislative	\$ 8,952	\$ -	\$ (8,952)	\$ -	\$ (8,952)
General government	828,329	106,203	(722,126)	-	(722,126)
Public safety	376,081	56,744	(319,337)	-	(319,337)
Public works	184,698	20,618	(164,080)	-	(164,080)
Recreation and cultural	<u>79,561</u>	<u>-</u>	<u>(79,561)</u>	<u>-</u>	<u>(79,561)</u>
Total governmental activities	1,477,621	183,565	(1,294,056)	-	(1,294,056)
Business-type activities					
Sewer	318,710	297,777	-	(20,933)	(20,933)
Water	<u>44,526</u>	<u>1,332</u>	<u>-</u>	<u>(43,194)</u>	<u>(43,194)</u>
Total business-type activities	<u>363,236</u>	<u>299,109</u>	<u>-</u>	<u>(64,127)</u>	<u>(64,127)</u>
Total primary government	<u>1,840,857</u>	<u>482,674</u>	<u>(1,294,056)</u>	<u>(64,127)</u>	<u>(1,358,183)</u>
General revenues					
Property taxes			622,683	-	622,683
State grants			503,448	-	503,448
Investment earnings			26,380	137,753	164,133
Other			76,381	-	76,381
Transfers			<u>-</u>	<u>-</u>	<u>-</u>
Total general revenue and transfers			<u>1,228,892</u>	<u>137,753</u>	<u>1,366,645</u>
Change in net assets			(65,164)	73,626	8,462
Net assets at April 1, 2007			<u>2,277,656</u>	<u>6,400,223</u>	<u>8,677,879</u>
Net assets at March 31, 2008			<u>\$2,212,492</u>	<u>\$6,473,849</u>	<u>\$8,686,341</u>

The accompanying notes are an integral part of this statement.

Township of Laketon, Michigan

BALANCE SHEET
GOVERNMENTAL FUNDS

March 31, 2008

	General Fund	Building Department	Total Governmental Funds
ASSETS			
Cash	\$ 633,553	\$ 115,164	\$ 748,717
Receivables			
Taxes	46,691	-	46,691
Assessments-current	4,066	-	4,066
Assessments-deferred	10,969	-	10,969
Prepaid expenses	16,425	-	16,425
Due from other funds	116,883	-	116,883
Due from other governmental units	<u>115,911</u>	<u>-</u>	<u>115,911</u>
Total Assets	<u>\$ 944,498</u>	<u>\$ 115,164</u>	<u>\$1,059,662</u>
LIABILITIES AND FUND EQUITY			
Liabilities:			
Accrued liabilities	\$ 2,043	\$ -	\$ 2,043
Due to other funds	12,060	114,261	126,321
Deferred revenue	<u>15,035</u>	<u>-</u>	<u>15,035</u>
Total Liabilities	<u>29,138</u>	<u>114,261</u>	<u>143,399</u>
Fund Equity:			
Fund balance			
Undesignated	<u>915,360</u>	<u>903</u>	<u>916,263</u>
Total Fund Equity	<u>915,360</u>	<u>903</u>	<u>916,263</u>
Total Liabilities and Fund Equity	<u>\$ 944,498</u>	<u>\$ 115,164</u>	<u>\$1,059,662</u>

The accompanying notes are an integral part of this statement.

Township of Laketon, Michigan

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

March 31, 2008

Total fund balance-governmental funds \$ 916,263

Amounts reported for governmental activities in the Statement of
Net Assets are different because:

Capital assets used in governmental activities are not financial
resources and are not reported in the governmental funds.

Cost of capital assets	\$2,034,498	
Accumulated depreciation	<u>(753,304)</u>	1,281,194

Special assessment receivables are expected to be collected over
several years, and are not available to pay for current year expenditures. 15,035

Net assets of governmental activities in the Statement of Net Assets	<u>\$2,212,492</u>
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The accompanying notes are an integral part of this statement.

Township of Laketon, Michigan

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

Year ended March 31, 2008

	General Fund	Building Department	Total Governmental Funds
Revenues:			
Taxes	\$ 622,683	\$ -	\$ 622,683
Licenses and permits	805	-	805
State grants	503,448	-	503,448
Charges for services	106,204	55,939	162,143
Interest and rentals	32,123	5,590	37,713
Other revenue	<u>60,343</u>	<u>33,798</u>	<u>94,141</u>
TOTAL REVENUES	1,325,606	95,327	1,420,933
Expenditures			
Current:			
Legislative	8,952	-	8,952
General government	780,611	-	780,611
Public safety	373,274	-	373,274
Public works	81,349	97,735	179,084
Recreation and cultural	79,561	-	79,561
Capital outlay	<u>14,488</u>	<u>-</u>	<u>14,488</u>
TOTAL EXPENDITURES	<u>1,338,235</u>	<u>97,735</u>	<u>1,435,970</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(12,629)	(2,408)	(15,037)
Other financing sources (uses)			
Operating transfers in	-	-	-
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(12,629)	(2,408)	(15,037)
Fund balance - April 1	\$ <u>927,989</u>	<u>3,311</u>	<u>931,300</u>
Fund balance - March 31	\$ <u>915,360</u>	\$ <u>903</u>	\$ <u>916,263</u>

The accompanying notes are an integral part of this statement.

Township of Laketon, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended March 31, 2008

Net change in fund balances-total governmental funds: \$ (15,037)

Amounts reported for governmental activities in the Statement of Activities
are different because:

Governmental funds report outlays for capital assets as expenditures
in the Statement of Activities; these costs are depreciated over their
estimated useful lives.

Depreciation expense	\$ (56,139)	
Capital outlay	<u>14,488</u>	
		(41,651)

In the Statement of Activities, the gain on disposal of assets is reported,
whereas in the governmental funds, any proceeds from sale increase financial
resources. The change in net assets differs from the change in fund balance
by the cost of the assets disposed of (9,775) net of related accumulated
depreciation of \$6,625. (3,150)

Special assessment revenues reported in the statement of activities
in previous years that did not provide current financial resources
in the governmental funds until the current year. (5,326)

Change in net assets of governmental activities \$ (65,164)

The accompanying notes are an integral part of this statement.

Township of Laketon, Michigan

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

March 31, 2008

ASSETS

	Enterprise Funds		
	Sewage Disposal System	Water Supply System	Total
Current Assets			
Cash	\$1,372,182	\$ 313,601	\$1,685,783
Investments (approximate market value \$1,729,794)	1,682,026	-	1,682,026
Receivables			
Assessments - Current	-	10,146	10,146
Accounts	85,048	12,425	97,473
Investment interest	358	-	358
Due from other funds	-	12,060	12,060
Total current assets	3,139,614	348,232	3,487,846
Non Current Assets			
Property, plant and equipment	6,612,893	576,539	7,189,432
Construction in progress	578,808	-	578,808
Less accumulated depreciation	(4,397,819)	(199,615)	(4,597,434)
Capital assets, net	<u>2,793,882</u>	<u>376,924</u>	<u>3,170,806</u>
Other assets			
Assessments receivable	-	17,344	17,344
Total Assets	\$5,933,496	\$ 742,500	\$6,675,996

LIABILITIES AND NET ASSETS

Current Liabilities			
Accounts payable	\$ -	\$ 18,252	\$ 18,252
Accrued interest	325	-	325
Bonds payable, due within one year	<u>30,570</u>	<u>-</u>	<u>30,570</u>
Total current liabilities	30,895	18,252	49,147
Non Current Liabilities			
Bonds payable, less amounts due in one year	<u>153,000</u>	<u>-</u>	<u>153,000</u>
Total non current liabilities	153,000	-	153,000
Net Assets			
Invested in capital assets, net of related debt	2,610,312	376,924	2,987,236
Unreserved	<u>3,139,289</u>	<u>347,324</u>	<u>3,486,613</u>
Total net assets	<u>\$5,749,601</u>	<u>\$ 724,248</u>	<u>\$6,473,849</u>

The accompanying notes are an integral part of this statement.

Township of Laketon, Michigan

STATEMENT OF REVENUES AND EXPENSES
AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

Year ended March 31, 2008

	Enterprise Funds		
	Sewage Disposal System	Water Supply System	Total
Operating revenues			
Charges for services	\$ 278,589	\$ 585	\$ 279,174
	278,589	585	279,174
Operating expenses			
Salaries and wages	19,702	19,702	39,404
Office supplies	1,509	232	1,741
Professional and contractual services	5,350	8,890	14,240
Depreciation	165,322	14,414	179,736
Usage charge	110,580	-	110,580
Miscellaneous	3,401	1,288	4,689
	305,864	44,526	350,390
Operating income (loss)	(27,275)	(43,941)	(71,216)
Non operating revenues (expenses)			
Connection fees	19,188	747	19,935
Interest revenue	121,154	16,599	137,753
Interest expense	(12,846)	-	(12,846)
Gain (loss) on sale of investments	-	-	-
	127,496	17,346	144,842
Operating income (loss) before transfers	100,221	(26,595)	73,626
Transfers to Other Funds	-	-	-
Change in net assets	100,221	(26,595)	73,626
Total net assets -April 1	5,649,380	750,843	6,400,223
Total net assets - March 31	\$5,749,601	\$ 724,248	\$6,473,849

The accompanying notes are an integral part of this statement.

Township of Laketon, Michigan

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year ended March 31, 2008

	Enterprise Funds		
	Sewage Disposal System	Water Supply System	Total
Cash flows from operating activities:			
Receipts from customers	\$ 275,829	\$ 10,863	\$ 286,692
Payments to suppliers	(120,840)	(10,409)	(131,249)
Payments to employees	<u>(19,702)</u>	<u>(19,702)</u>	<u>(39,404)</u>
Net cash provided by operating activities	135,287	(19,248)	116,039
Cash Flows From Noncapital Financing Activities			
Operating subsidies and transfers to other funds	-	-	-
Cash Flows From Capital and Related Financing Activities			
Connection fees	19,188	746	19,934
Proceeds from the sale of fixed assets	-	-	-
Purchases of capital assets	(394,277)	-	(394,277)
Principal and interest paid on capital debt	(42,544)	-	(42,544)
Other receipts	<u>-</u>	<u>-</u>	<u>-</u>
Net cash (used) by capital and related financing activities	(417,633)	746	(416,887)
Cash Flows From Investing Activities			
Net changes in investments	(168,717)	-	(168,717)
Investment earnings	<u>125,410</u>	<u>16,599</u>	<u>142,009</u>
Net cash provided by investing activities	<u>(43,307)</u>	<u>16,599</u>	<u>(26,708)</u>
Net decrease in cash	(325,653)	(1,903)	(327,556)
Cash at April 1, 2007	<u>1,697,835</u>	<u>315,504</u>	<u>2,013,339</u>
Cash at March 31, 2008	<u>1,372,182</u>	<u>313,601</u>	<u>1,685,783</u>
Reconciliation of Operating Income to Net Cash			
Provided by Operating Activities			
Operating Income (loss)	(27,275)	(43,941)	(71,216)
Adjustments to Reconcile Operating Income to Net Cash			
Provided by Operating Activities			
Depreciation expense	165,322	14,414	179,736
Change in Assets and Liabilities:			
Receivables-net	(2,760)	10,279	7,519
Accounts and other payables	<u>-</u>	<u>-</u>	<u>-</u>
Net Cash Provided by Operating Activities	\$ <u>135,287</u>	\$ <u>(19,248)</u>	\$ <u>116,039</u>

The accompanying notes are an integral part of this statement.

Township of Laketon, Michigan

FIDUCIARY FUND - STATEMENT OF NET ASSETS

March 31, 2008

	<u>Agency Fund</u>
	Current Tax <u>Collection</u>
ASSETS	
Cash	\$ <u><u>2,622</u></u>
LIABILITIES	
Due to other funds	\$ <u><u>2,622</u></u>

The accompanying notes are an integral part of this statement.

Township of Laketon, Michigan
NOTES TO FINANCIAL STATEMENTS

March 31, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Township of Laketon have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's policies are described below.

1. Reporting Entity

The Township of Laketon (Muskegon County) is a general law township which operates under an elected Township Board form of government and provides services to its residents in many areas including public safety, highways and streets, sanitation, parks and recreation, planning and zoning and general administrative services.

2. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and user charges.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues. The Township does not allocate indirect costs.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as

Township of Laketon, Michigan

NOTES TO FINANCIAL STATEMENTS-CONTINUED

March 31, 2008

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation-Continued

revenue as soon as all eligibility requirements imposed by the provider have been met. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures (when applicable), expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, state revenue sharing and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Building Department Fund accounts for the collection of building department permit fees in the Township.

The Township reports the following major proprietary funds:

The Sewage Disposal System Fund accounts for the activities of the sewage disposal system. The main source of revenue for the fund comes from user charges.

The Water Supply System Fund accounts for the activities of the water supply system. User charges are the operating revenues of the fund.

The Township reports the following fiduciary fund:

The Current Tax Collection Fund accounts for revenues received from tax payers and distributed to various entities including the county, township and school district per predetermined millages.

Township of Laketon, Michigan

NOTES TO FINANCIAL STATEMENTS-CONTINUED

March 31, 2008

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation-Continued

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments, if any. Internally dedicated resources are reported as general revenue rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

4. Assets, Liabilities, and Net Assets or Equity

a. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and certificate of deposits. The Township has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Township to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers acceptances, state-approved investment pools and certain mutual funds.

The Township considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Township of Laketon, Michigan

NOTES TO FINANCIAL STATEMENTS-CONTINUED

March 31, 2008

4. Assets, Liabilities, and Net Assets or Equity-Continued

b. Receivables and Payables

All outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Property taxes attach as an enforceable lien on property and are levied as follows: Summer taxes on July 1 are payable through September 14; winter taxes on December 1, are payable through February 14. The Township bills and collects its own property taxes and also taxes for the local and intermediate school districts and the county. Collection of these taxes and remittance of them to the districts and the county are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized in the period for which they are levied. The Township is permitted by law to levy taxes up to 3.9 mills per \$1,000 of assessed valuation for general governmental services other than the payment of principal and interest on long-term debt and no millage for the payment and interest on long-term debt. The combined tax rate to finance general governmental services for the year ended March 31, 2008, was 2.8976 mills.

c. Capital Assets

Capital assets, which include property, plant, equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of at least \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements, if any, are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the primary government is depreciated using the straight-line method over the following useful lives:

Township of Laketon, Michigan

NOTES TO FINANCIAL STATEMENTS-CONTINUED

March 31, 2008

4. Assets, Liabilities, and Net Assets or Equity-Continued

<u>Assets</u>	<u>Years</u>
Land improvements	15-30
Buildings and improvements	15-55
Equipment	5-15

e. Compensated Absences

Township employees earn vacation and sick leave in varying amounts based on length of service. Unused vacation time and sick leave do not accumulate past March 31 of each fiscal year. No portion of unused sick leave is paid to employees at the time of termination or retirement. It is the Township's policy to recognize the cost of sick leave at the time payments are made.

e. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net assets.

f. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

g. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

Township of Laketon, Michigan

NOTES TO FINANCIAL STATEMENTS-CONTINUED

March 31, 2008

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. Budgetary Information

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. On or about March 31, the Township Board submits to the general public a proposed operating budget for the fiscal year commencing the following April 1. The operating budget included proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to April 1, the budget is legally enacted through passage of a resolution.
- d. The Township Board is authorized to transfer budgeted amounts within departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the general public.
- e. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles.
- f. Appropriations for the general fund lapse at the end of the fiscal year.

Budgeted amounts are as originally adopted, or as amended by the Township Board as of March 31, 2008.

2. Risk Management

The Township of Laketon is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The Township has purchased commercial insurance for medical benefits claims and participates in the Michigan Municipal Workmen's Compensation Fund for workmen's compensation claims and the Michigan Municipal Liability and Property Pool for claims relating to general liability, excess liability, auto liability, trunkline liability, errors and omissions, physical damage (equipment, buildings and contents). Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

The local units in the State of Michigan established and created the above mentioned pools pursuant to the provisions of Act 138 of the Michigan Public Acts of 1982. These Pools are to provide for joint and cooperative action relative to Members' financial and administrative resources for the purpose of providing risk management services along with property and liability protection. Membership is restricted to local units and related local unit activities within the state.

Township of Laketon, Michigan

NOTES TO FINANCIAL STATEMENTS-CONTINUED

March 31, 2008

NOTE C- DEPOSITS AND INVESTMENTS

1. Deposits

The Township's deposits are in several financial institutions and are carried at cost; the deposits are composed of interest bearing and non-interest bearing demand deposits and certificates of deposit.

As of March 31, 2008, the Township's carrying amount of deposits was \$2,437,122, and the bank balance was \$2,487,286. Of the bank balance, \$336,048 was covered by federal depository insurance, the remainder being uninsured. The balances include money held by Muskegon County.

2. Investments

Michigan Compiled Laws, Section 129.91, authorizes the township to deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications, which mature not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. Investments accumulated under an eligible deferred compensation plan may be placed, at the authorization of a governing body with a financial institution authorized to do business in this State, a State or Federally licensed investment company or insurance company authorized to do business in this State, or trust established by public employers for the investment of deferred compensation or retirement plans. Such funds shall be invested as directed by the governing body.

Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. The Township has surplus funds invested with Merrill Lynch, Pierce, Fenner and Smith and in Municipal Investment Funds with National City Bank.

Township of Laketon, Michigan

NOTES TO FINANCIAL STATEMENTS-CONTINUED

March 31, 2008

NOTE C - DEPOSITS AND INVESTMENTS-CONTINUED

3. Summary

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Fund</u>	<u>Total Primary Government</u>
Cash and cash equivalents	\$ 748,717	\$1,685,783	\$ 2,622	\$2,437,122
Investments	<u>-</u>	<u>1,682,026</u>	<u>-</u>	<u>1,682,026</u>
Total	<u>\$ 748,717</u>	<u>\$3,367,809</u>	<u>\$ 2,622</u>	<u>\$4,119,148</u>

The GASB Statement No. 3 risk disclosures for the Township's investments are as follows:

	<u>1</u>	<u>Category 2</u>	<u>3</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Primary Government Investments	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,682,026</u>	\$ <u>1,682,026</u>	\$ <u>1,729,794</u>

Township investments are categorized to give an indication of the level of risk assumed by the Township at March 31, 2008.

1. Insured or Registered, or Securities held by the Township or the Township's agent in the Township's name.
2. Uninsured and Unregistered with Securities held by the Dealer's Trust Department or its agent in the Township's name.
3. Uninsured and Unregistered, with Securities held by the Dealer, or the Dealer's Trust Department or Agent but not in the Township's name.

Township of Laketon, Michigan

NOTES TO FINANCIAL STATEMENTS-CONTINUED

March 31, 2008

NOTE D - INTERFUND RECEIVABLES AND PAYABLES

Details of interfund receivables and payables at March 31, 2008, as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$ 116,883	Building Dept.	\$114,261
		Tax Collection	<u>2,622</u>
	<u>116,883</u>		116,883
Water	<u>12,060</u>	General	<u>12,060</u>
	<u>\$ 128,943</u>		<u>\$128,943</u>

NOTE E - CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2008 was as follows:

<u>Governmental Activities</u>	<u>Balance April 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance March 31, 2008</u>
Capital assets, not being depreciated:				
Land	\$ <u>65,016</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>65,016</u>
Total capital assets, not being depreciated	<u>65,016</u>	<u>-</u>	<u>-</u>	<u>65,016</u>
Capital assets, being depreciated:				
Land improvements	492,960	-	-	492,960
Buildings and improvements	1,187,538	-	-	1,187,538
Equipment	<u>284,271</u>	<u>14,488</u>	<u>9,775</u>	<u>288,984</u>
Total capital assets, being depreciated	1,964,769	14,488	9,775	1,969,482
Less accumulated depreciation for:				
Land improvements	307,886	19,809	-	327,695
Buildings and improvements	186,749	22,306	-	209,055
Equipment	<u>209,155</u>	<u>14,024</u>	<u>6,625</u>	<u>216,554</u>
Total accumulated depreciation	<u>703,790</u>	<u>56,139</u>	<u>6,625</u>	<u>753,304</u>
Total capital assets, being depreciated, net	<u>1,260,979</u>	<u>(41,651)</u>	<u>3,150</u>	<u>1,216,178</u>
Capital Assets, net	<u>1,325,995</u>	<u>(41,651)</u>	<u>3,150</u>	<u>1,281,194</u>

Township of Laketon, Michigan

NOTES TO FINANCIAL STATEMENTS-CONTINUED

March 31, 2008

NOTE E-CAPITAL ASSETS-CONTINUED

	Balance <u>April 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>March 31, 2008</u>
<u>Business-Type Activities:</u>				
Capital Assets Not Being Depreciated:				
Construction in progress	<u>184,530</u>	<u>394,278</u>	<u>-</u>	<u>578,808</u>
Total capital assets, not being depreciated	<u>184,530</u>	<u>394,278</u>	<u>-</u>	<u>578,808</u>
Capital assets being depreciated:				
Sewage disposal system	<u>6,612,893</u>	<u>-</u>	<u>-</u>	<u>6,612,893</u>
Water supply system	<u>576,539</u>	<u>-</u>	<u>-</u>	<u>576,539</u>
Total capital assets, being depreciated	<u>7,189,432</u>	<u>-</u>	<u>-</u>	<u>7,189,432</u>
Less accumulated depreciation:				
Sewage disposal system	<u>4,232,496</u>	<u>165,322</u>	<u>-</u>	<u>4,397,818</u>
Water supply system	<u>185,202</u>	<u>14,414</u>	<u>-</u>	<u>199,616</u>
Total accumulated depreciation	<u>4,417,698</u>	<u>179,736</u>	<u>-</u>	<u>4,597,434</u>
Total capital assets, being depreciated, net	<u>2,771,734</u>	<u>(179,736)</u>	<u>-</u>	<u>2,591,998</u>
Capital assets, net	<u>2,956,264</u>	<u>214,542</u>	<u>-</u>	<u>3,170,806</u>
<u>Government activities:</u>				
Depreciation				
Depreciation expense was charged to functions as follows:				
General government				\$ 47,718
Public safety				2,807
Public works				<u>5,614</u>
				<u>\$ 56,139</u>
<u>Business-type activities:</u>				
Depreciation				
Depreciation expense was charged to functions as follows:				
Sewer				\$165,322
Water				<u>14,414</u>

\$179,736

Township of Laketon, Michigan

NOTES TO FINANCIAL STATEMENTS-CONTINUED

March 31, 2008

NOTE F - LONG TERM DEBT

Summary of Changes in Long-Term Liabilities

The following is a summary of long-term liabilities activity for the Township for the year ended March 31, 2008:

	Balance April 1, 2007	Additions	Reductions	Balance March 31, 2008	Due within one year
Business-type activities:					
Contracts payable	\$ 212,939	-	\$ 29,369	\$ 183,570	\$ 30,570
	<u>\$ 212,939</u>	<u>-</u>	<u>\$ 29,369</u>	<u>\$ 183,570</u>	<u>\$ 30,570</u>

The Township has a 1.0% interest in the total issue of the Wastewater Management System Revenue Bonds of \$17,000,000 due in annual installments of \$4,550 to \$8,500 through July 1, 2026, plus interest at 4.125% to 5.0% per annum

\$ 157,550

The Township has a 1.245% interest in the total issue of the Wastewater Improvement Refunding Bonds of \$6,990,000 due in annual installments of \$26,020 through July 1, 2008, plus interest at 5.0% per annum

26,020

\$ 183,570

The wastewater improvement bonds were issued for the acquisition, construction and financing of capital improvements to the existing wastewater management system.

The Township contracted with the County of Muskegon for the continued construction of a wastewater management system. Under terms of the contract, the County shall be the owner. To defray the cost of the system, the County issued bonds in the aggregate principal sum of \$17,000,000. The Township has a 1% interest totaling \$170,000. The Township will meet its contractual obligation for the principal and interest payments by rate charges to users of the system.

Township of Laketon, Michigan

NOTES TO FINANCIAL STATEMENTS-CONTINUED

March 31, 2008

NOTE F - LONG TERM DEBT - CONTINUED

Annual debt service requirements to maturity for debt outstanding at March 31, 2008 is as follows:

Year ending March 31, 2008	Business-type activities	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 30,570	\$ 8,677
2010	8,500	7,102
2011	8,500	6,735
2012	8,500	6,363
2013	8,500	5,986
2014-2018	42,500	24,122
2019-2023	42,500	13,815
2024-2027	<u>34,000</u>	<u>3,402</u>
Total	\$ <u>183,570</u>	\$ <u>76,202</u>

NOTE G - SEGMENT INFORMATION FOR ENTERPRISE FUND

The Township maintains two enterprise funds which provide sewer and water services for its residents. Segment information for the year ended March 31, 2008, was as follows:

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
Operating revenues	\$ 278,589	\$ 585	\$ 279,174
Depreciation expense	165,322	14,414	179,736
Operating income (loss)	(27,275)	(43,941)	(71,216)
Change in net assets	100,221	(26,595)	73,626
Net working capital	3,108,719	329,980	3,438,699
Total assets	5,933,496	742,500	6,675,996
Long-term liabilities - payable			
from operating revenues	153,000	-	153,000
Total net assets	5,749,601	724,248	6,473,849

Township of Laketon, Michigan

NOTES TO FINANCIAL STATEMENTS-CONTINUED

March 31, 2008

NOTE H - PENSION PLAN

The Township has a pension plan covering qualified employees in which the Township contributes all of the required contributions (money purchase plan) for the year. Total contributions by the Township for the year ended March 31, 2008, were \$81,147. All costs during the year associated with the plan were paid currently.

NOTE I - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures have been reported on a functional basis. The approved budgets of the Township for these budgetary funds were adopted to the activity level. During the year ended March 31, 2008, the Township incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated as follows:

	<u>Total appropriations</u>	<u>Actual expenditures</u>	<u>Budget variance</u>
General fund			
Auditor	\$ 5,500	\$ 7,260	\$ 1,760
Attorney	25,000	26,385	1,385
Building and Grounds	372,950	469,656	96,706
Drains	2,000	3,986	1,986
Street lighting	34,800	36,409	1,609

REQUIRED SUPPLEMENTAL INFORMATION

Township of Laketon, Michigan
Budgetary Comparison Schedule
GENERAL FUND

Year ended March 31, 2008

	<u>Budgeted Amounts</u>		Actual	Variance with final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 607,600	\$ 607,600	\$ 622,683	\$ 15,083
Licenses and permits	2,000	2,000	805	(1,195)
State grants	485,000	485,000	503,448	18,448
Charges for services	91,500	91,500	106,204	14,704
Interest and rentals	13,500	13,500	32,123	18,623
Other revenue	<u>20,750</u>	<u>20,750</u>	<u>60,343</u>	<u>39,593</u>
TOTAL REVENUES	1,220,350	1,220,350	1,325,606	105,256
EXPENDITURES				
Legislative				
Governing body				
Salaries and wages	<u>17,052</u>	<u>17,052</u>	<u>8,952</u>	<u>8,100</u>
Total Legislative	17,052	17,052	8,952	8,100
General government				
Supervisor				
Salaries and wages	51,384	51,384	51,384	-
Elections				
Salaries and wages	8,000	8,000	10,453	(2,453)
Office supplies	3,450	3,450	779	2,671
Education	500	500	-	500
Miscellaneous	<u>2,000</u>	<u>2,000</u>	<u>1,109</u>	<u>891</u>
	13,950	13,950	12,341	1,609
Auditor				
Professional and contractual services	5,500	5,500	7,260	(1,760)
Engineering				
Professional and contractual services	3,000	3,000	-	3,000
Assessor				
Wages	1,720	1,720	742	978
Professional and contractual services	42,000	42,000	42,000	-
Miscellaneous	<u>4,600</u>	<u>4,600</u>	<u>4,221</u>	<u>379</u>
	48,320	48,320	46,963	1,357
Attorney				
Professional and contractual services	25,000	25,000	26,385	(1,385)

Township of Laketon, Michigan
Budgetary Comparison Schedule
GENERAL FUND-CONTINUED

Year ended March 31, 2008

	<u>Budgeted Amounts</u>			Variance with final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
General government-continued				
Clerk				
Salaries and wages	44,199	44,199	41,908	2,291
Treasurer				
Salaries and wages	40,068	40,068	40,068	-
Building and Grounds				
Salaries and wages	18,000	18,000	52,244	(34,244)
Supplies	12,000	12,000	9,419	2,581
Postage	6,300	6,300	5,969	331
Telephone	5,800	5,800	5,286	514
Insurance, bonds and pension	285,250	285,250	330,937	(45,687)
Public utilities	12,000	12,000	17,557	(5,557)
Repairs and maintenance	5,000	5,000	3,297	1,703
Advertising	1,000	1,000	1,665	(665)
Education	3,500	3,500	2,108	1,392
Unemployment	2,000	2,000	7,631	(5,631)
Transportation	3,500	3,500	706	2,794
Rent	-	-	-	-
Muskegon Area First	5,600	5,600	4,207	1,393
Miscellaneous	<u>13,000</u>	<u>13,000</u>	<u>28,630</u>	<u>(15,630)</u>
	372,950	372,950	469,656	(96,706)
Cemetery				
Salaries and wages	47,500	47,500	41,040	6,460
Administration	12,000	12,000	-	12,000
Telephone	600	600	802	(202)
Public utilities	1,400	1,400	1,639	(239)
Repairs and maintenance	4,500	4,500	8,645	(4,145)
Miscellaneous	<u>1,000</u>	<u>1,000</u>	<u>467</u>	<u>533</u>
	67,000	67,000	52,593	14,407
Service Building and Grounds				
Wages	29,000	29,000	26,877	2,123
Maintenance	3,000	3,000	1,413	1,587

The accompanying notes are an integral part of this statement.

Township of Laketon, Michigan
Budgetary Comparison Schedule
GENERAL FUND-CONTINUED

Year ended March 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with final Budget -Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
General government-continued				
Service Building and Grounds-continued				
Gas and oil	3,500	3,500	3,763	(263)
Utilities	<u>100</u>	<u>100</u>	<u>-</u>	<u>100</u>
	<u>35,600</u>	<u>35,600</u>	<u>32,053</u>	<u>3,547</u>
Total General Government	706,971	706,971	780,611	(73,640)
Public Safety				
Fire Department				
Professional and contractual services	255,738	255,738	267,432	(11,694)
Hydrant rental	<u>38,000</u>	<u>38,000</u>	<u>21,900</u>	<u>16,100</u>
	293,738	293,738	289,332	4,406
Police Protection				
Professional and contractual services	<u>58,000</u>	<u>58,000</u>	<u>49,100</u>	<u>8,900</u>
	58,000	58,000	49,100	8,900
Planning Commission				
Salaries and wages	23,600	23,600	22,256	1,344
Office supplies	1,000	1,000	897	103
Professional services	9,000	9,000	1,457	7,543
Advertising	3,000	3,000	1,822	1,178
Miscellaneous	<u>2,000</u>	<u>2,000</u>	<u>6,390</u>	<u>(4,390)</u>
	38,600	38,600	32,822	5,778
Appeal Board				
Salaries and wages	2,000	2,000	446	1,554
Advertising	2,000	2,000	966	1,034
Miscellaneous	<u>1,000</u>	<u>1,000</u>	<u>608</u>	<u>392</u>
	<u>5,000</u>	<u>5,000</u>	<u>2,020</u>	<u>2,980</u>
Total Public Safety	395,338	395,338	373,274	22,064
Public Works				
Drains				
Drain projects	2,000	2,000	3,986	(1,986)
Street lighting				
Public utilities	34,800	34,800	36,409	(1,609)

The accompanying notes are an integral part of this statement.

Township of Laketon, Michigan
Budgetary Comparison Schedule
GENERAL FUND-CONTINUED
Year ended March 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with final Budget -Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Public Works-continued				
Road construction				
Road projects	2,600	2,600	1,629	971
Street signs and posts	<u>500</u>	<u>500</u>	<u>181</u>	<u>319</u>
	3,100	3,100	1,810	1,290
Sanitation				
Wages	11,000	11,000	10,223	777
Landfill rental	29,000	29,000	28,921	79
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>40,000</u>	<u>40,000</u>	<u>39,144</u>	<u>856</u>
Total Public Works	79,900	79,900	81,349	(1,449)
Recreation and Cultural				
Parks				
Salaries and wages	31,000	31,000	30,719	281
Public utilities	6,200	6,200	4,753	1,447
Repairs and maintenance	8,000	8,000	8,908	(908)
Professional services	3,000	3,000	-	3,000
Recreation program-Reeths Puffer	26,500	26,500	28,829	(2,329)
Miscellaneous	<u>6,000</u>	<u>6,000</u>	<u>6,352</u>	<u>(352)</u>
Total Recreation and Cultural	80,700	80,700	79,561	1,139
Capital Outlay				
General	<u>45,200</u>	<u>45,200</u>	<u>14,488</u>	<u>30,712</u>
TOTAL EXPENDITURES	<u>1,325,161</u>	<u>1,325,161</u>	<u>1,338,235</u>	<u>(13,074)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(104,811)	(104,811)	(12,629)	92,182
Other financing sources (uses)				
Operating transfers in	-	-	-	-
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(104,811)	(104,811)	(12,629)	92,182
Fund balance - April 1	<u>927,989</u>	<u>927,989</u>	<u>927,989</u>	<u>-</u>
Fund balance - March 31	<u>\$ 823,178</u>	<u>\$ 823,178</u>	<u>\$ 915,360</u>	<u>\$ 92,182</u>

The accompanying notes are an integral part of this statement.

Township of Laketon, Michigan

Budgetary Comparison Schedule
BUILDING DEPARTMENT FUND

Year ended March 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 99,150	\$ 99,150	\$ 55,939	\$ (43,211)
Interest revenue	1,500	1,500	5,590	4,090
Reimbursements	32,450	32,450	33,798	1,348
Other revenue	<u>50</u>	<u>50</u>	<u>-</u>	<u>(50)</u>
TOTAL REVENUES	133,150	133,150	95,327	(37,823)
Expenditures				
Salaries and wages	90,460	90,460	85,470	4,990
Transportation	8,350	8,350	3,741	4,609
Office supplies	500	500	493	7
Miscellaneous	<u>6,900</u>	<u>6,900</u>	<u>8,031</u>	<u>(1,131)</u>
TOTAL EXPENDITURES	<u>106,210</u>	<u>106,210</u>	<u>97,735</u>	<u>8,475</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	26,940	26,940	(2,408)	(29,348)
Other financing sources (uses)				
Operating transfers in	-	-	-	-
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	26,940	26,940	(2,408)	(29,348)
Fund balance - April 1	<u>3,311</u>	<u>3,311</u>	<u>3,311</u>	<u>-</u>
Fund balance - March 31	\$ <u>30,251</u>	\$ <u>30,251</u>	\$ <u>903</u>	\$ (<u>29,348</u>)

The accompanying notes are an integral part of this statement.

OTHER SUPPLEMENTAL INFORMATION

Township of Laketon, Michigan

SCHEDULE OF INDEBTEDNESS

March 31, 2008

Enterprise Fund

Contracts payable

Muskegon County Wastewater Management System -

Number 2 - Revenue Bonds - Series 2002

2002 Refunding bonds

The accompanying notes are an integral part of this statement.

<u>Date of issue</u>	<u>Amount of issue</u>	<u>Interest rate</u>	<u>Date of maturity</u>	<u>March 31 2007</u>	<u>March 31 2008</u>	<u>Annual interest payable</u>
1-15-02	170,000	4.00	7/01/07	3,100	-	-
		4.125	7/01/08	4,550	4,550	7,376
		4.250	7/01/09	8,500	8,500	7,102
		4.375	7/01/10	8,500	8,500	6,735
		4.375	7/01/11	8,500	8,500	6,363
		4.50	7/01/12	8,500	8,500	5,986
		4.50	7/01/13	8,500	8,500	5,604
		4.50	7/01/14	8,500	8,500	5,221
		4.625	7/01/15	8,500	8,500	4,833
		4.750	7/01/16	8,500	8,500	4,435
		4.80	7/01/17	8,500	8,500	4,029
		5.00	7/01/18	8,500	8,500	3,613
		5.00	7/01/19	8,500	8,500	3,188
		5.00	7/01/20	8,500	8,500	2,763
		5.00	7/01/21	8,500	8,500	2,338
		5.00	7/01/22	8,500	8,500	1,913
		5.00	7/01/23	8,500	8,500	1,488
		5.00	7/01/24	8,500	8,500	1,063
		5.00	7/01/25	8,500	8,500	638
		5.00	7/01/26	<u>8,500</u>	<u>8,500</u>	<u>213</u>
				160,650	157,550	74,901
11-06-02	87,025	5.00	7/01/07	26,269	-	-
		5.00	7/01/08	<u>26,020</u>	<u>26,020</u>	<u>1,301</u>
				<u>52,289</u>	<u>26,020</u>	<u>1,301</u>
				<u>\$ 212,939</u>	<u>\$ 183,570</u>	<u>\$ 76,202</u>

CALVIN D. MEEUSEN, C.P.A., PLLC

**CALVIN D. MEEUSEN
CERTIFIED PUBLIC ACCOUNTANT**

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July 30, 2008

Members of the Township Board
Township of Laketon, Michigan

In connection with my examination of the financial statements of the Township of Laketon as of March 31, 2008, I have reviewed the accounting policies and procedures employed by the Township and the internal controls in effect. As a result of this review, I wish to make certain comments and recommendations.

I have examined the financial statements of the Township of Laketon, Michigan, for the year ended March 31, 2008, and have issued our report thereon dated July 30, 2008. As part of our examination, we made a study and evaluation of the system of internal accounting control of the Township of Laketon, Michigan, to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards and the standards for financial and compliance audits contained in the U.S. General Accounting Office "Standards for Audit of Governmental Organizations, Programs, Activities and Functions". For the purpose of this report, we have classified the significant internal accounting controls in the following categories: Cycles of the entity's Activity, Financial Statement Captions and Accounting Applications. Our study included all of the control categories listed above. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the entity's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole or on any of the categories of controls identified above.

The management of the Township of Laketon, Michigan, is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

My study and evaluation made for the limited purposes described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, I do not express an opinion on the system of internal accounting control of the Township taken as a whole. However, my study and evaluation disclosed that the internal controls are not adequate to reduce to a relatively low risk that errors or irregularities in amounts that would be material in relation to the financial statements of the Township may occur and not be detected within a timely period. This is because of a lack of segregation of duties due to the limited number of accounting personnel. Accordingly, substantive testing has been increased to reduce to an acceptable level the audit risk associated with this situation.

This report is intended solely for the use of management and the State of Michigan, Michigan Department of Treasury, and should not be used for any other purpose.

A budget is required by the State Constitution, State Statutes and is the only basis for spending. A local unit cannot overspend its adopted budget unless a change in the budget is approved by the Board. Any amendment to the adopted budget should be made no later than the last day of the fiscal year and any transfer of monies between funds, except those authorized by statute, should be held to an absolute minimum and should be authorized by resolution of the Township and recorded in the Board minutes.

All general ledger accounts in all funds should be reviewed, at minimum, on a monthly basis for reasonableness and completeness. Discrepancies and problems, if found, could then be easily corrected in a more timely manner.

Monthly bank reconciliations should be compared to the corresponding general ledger cash balance and any differences investigated and corrected.

Township personnel should obtain, on a periodic basis, information from Muskegon County concerning new bond issues, use of bond proceeds for construction and other costs, interest income on township monies and bond principal and interest payments deemed to be paid from water purchases and sewage treatment charges. This information should then be entered into the Township's accounting records.

The Township should consider using more financial institutions in order to maximize Federal Deposit Insurance Corporation (FDIC) coverage on their bank accounts. The Township had deposits of \$2,437,122 of which approximately \$2,101,074 was not covered by the FDIC.

In conclusion, I wish to state that I have had excellent cooperation from all personnel involved in the recordkeeping area and look forward to more of the same in the future.

Members of the Township Board
Township of Laketon, Michigan

3

All of the above comments and recommendations have been discussed with Township officials who have indicated to me that the Township will attempt to comply with them. These comments and recommendations are intended to be only of a constructive nature as I am sure they will continue to improve your accounting system. I would be available at any time in order to discuss these comments and recommendations.

Respectfully submitted,

A handwritten signature in black ink, reading "Calvin D. Meeusen C.P.A. PLLC". The signature is written in a cursive, flowing style.

Calvin D. Meeusen, C.P.A., PLLC